

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON FEDERAL RELATIONS, ENERGY, AND TELECOMMUNICATIONS**

**Call to Order:** By **CHAIRMAN AUBYN A. CURTISS**, on January 18, 2001  
at 3:00 P.M., in Room 137 Capitol.

#### **ROLL CALL**

##### **Members Present:**

Rep. Aubyn A. Curtiss, Chairman (R)  
Rep. Tom Dell, Vice Chairman (D)  
Rep. Douglas Mood, Vice Chairman (R)  
Rep. Dee Brown (R)  
Rep. Roy Brown (R)  
Rep. Gary Forrester (D)  
Rep. Carol C. Juneau (D)  
Rep. Gary Matthews (D)  
Rep. Joe McKenney (R)  
Rep. Alan Olson (R)  
Rep. Trudi Schmidt (D)  
Rep. Bob Story (R)

**Members Excused:** None.

**Members Absent:** None.

**Staff Present:** Staci Leitgeb, Committee Secretary  
Stephen Maly, Legislative Branch

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

##### **Committee Business Summary:**

Hearing(s) & Date(s) Posted: HB 167,

#### **HEARING ON HB 167**

**Sponsor:** REP. HEDGES, HD 97, Antelope

**Proponents:** John Alkee, MDU

**Opponents:** Steve Yeakel, Mt. Resource Development Council  
Debbie Smith, Natural Resource Defense Council

**Bob Anderson, PSC**  
**Rachel Hobberman, Energy Share**  
**Michele Reinhart, MEIC**

**Opening Statement by Sponsor:**

**REP. HEDGES, HD 97, Antelope**, stated the purpose of the proposed legislation was to exempt those nonprofit entities listed under the new section G through F. He explained how northeastern Montana was served by MDU services. He explained the universal systems benefits credit, as per code, added a 2.4% fee onto a customer's bill. He offered an example dealing with the Culbertson Hospital and Nursing Home. He added the intent was to assist the group and not to emasculate the universal systems benefit program, which brought in \$8 million dollars to the state. He understood the need for stewardship and how a number of large corporations and utility rate payers felt the same way. He said the current legislation, under the Utility Restructuring Act would sunset in 2003, so there was a one year window where these people would receive the benefit.

**Proponents' Testimony:**

**John Alke, MDU**, said during the 1997 Legislature, enacting the Restructuring Act, Montana Power would fund rates, \$6 to \$7 million through the universal system benefits program. He said the genesis of those programs were for utilities in the western grid, utilities served with access to the Bonneville Power Administration. He gave a background of the programs and explained the increase in rates due to Montana law, by \$700,000 a year and the 2.4% required by the statutes, would be applied to 1995 sales.

**Opponents' Testimony:**

**Steve Yeakel, Montana HRDC Directors Association**, thought there were major issues afloat in the area of energy and deregulation. Given all the USBC money accomplishes in terms of weatherization and assistance on bills, in terms of real impacts to families who needed the assistance. He felt it to be the wrong signal to send while folks were alarmed about what was going to happen to their bills and how they were going to pay the bills they had currently.

**Deborah Smith, Natural Resources Defense Council**, handed out MCA codes **EXHIBIT (014a)** and presented a booklet regarding "Making Smart Sensible" **EXHIBIT (024a)**. She expressed the concerns of everyone regarding power rates and power bills and what it was

the payments were for. The most sustainable way Montana could help its citizens through the energy crunch was by investing in a cost-effective, long-term efficiency improvements, some of those have to be made by the utilities on behalf of their customers. Some of those have to be made by individuals themselves. She mentioned the real transmission constraints on receiving power out of the state and the very real constraints even if reductions were made and Energy Facility Siting Act requirements were met, with the amount of time it took to get new plants on line. She offered options the state could do with Montana Power.

**Bob Anderson, PSC**, stated these programs were in the customer's interests dealing with low income, conservation programs, and renewable resource programs. The commission believed all these bills should be put together and brought forth in one package.

**Rachel Hobberman, Energy Share**, submitted written testimony and supplemental information **EXHIBIT (034a)**. She handed out information towards energy share **EXHIBIT (044a)** and a brochure of the annual report **EXHIBIT (054a)**.

**Michele Reinhart, MEIC intern**, submitted written testimony **EXHIBIT (064a)**.

**Questions from Committee Members and Responses:**

**REP. DEE BROWN** asked if the large electric users' donations were truly donations or if they were required to make them. **Rachel Haberman** commented large electric users could choose how to spend the low income portion of the Universal Systems Benefit.

**REP. BROWN** asked if the original money was not a donation. **Rachel Haberman** answered they were required by law to fulfill USB requirements.

**REP. GARY MATTHEWS** stated energy share did not take care of eastern Montana customers. **Rachel Haberman** said energy share was statewide, offering assistance to customers within eastern Montana.

**REP. ALAN OLSON** referred to the changes on page two. **REP. HEDGES** said nonprofit organizations included the small assisted-living family-type corporations, as well as multi-million dollar insurance companies and may be licensed under nonprofit type.

**REP. OLSON** asked if the committee could not find a way to screen that, would it be agreeable to totally strike language. **REP.**

**HEDGES** felt changes were needed and he would force the church on the corner to pay the 2.4%.

**REP. MATTHEWS** asked where the money was that MDU collected and how it was distributed in eastern Montana. **Mr. Alke** stated they gave \$138,000 to action for eastern Montana with low income weatherization audits. He explained where other distributions went.

**REP. MATTHEWS** asked how many low income families were helped in the MDU area. **Rachel Haberman** did not have information regarding this, but she would be happy to get "it" to the committee.

**REP. TOM DELL** opposed the legislation and stated he was in the middle of an energy crisis dealing with deregulation problems. He would anticipate a huge influx of consumers that would require this assistance program funding. He asked for reassurance. **REP. HEDGES** said they established tax exempt entities which would not be taxed, these would include school systems, community hospitals and small lighting districts, plus the city of Great Falls and local governments struggling to exist.

**REP. DELL** expressed concern with organizations taking advantage of this and he felt policing this would be a challenge. **REP. HEDGES** said the implementation would go through the Internal Revenue Service.

**REP. DOUGLAS MOOD** clarified the program was first instituted in 1995, then expanded in 1997. **Mr. Anderson** said the program was put in place in 1997, but they put in statute what Montana Power had been doing for 10 or 15 years, so MPC customers' bills did not increase as result of this provision of SB 390. In MDU territory they did, because MDU did not have the same programs.

**REP. MOOD** clarified when it was a program with MPC it was a voluntary program, now it is mandatory. **Mr. Anderson** stated it was a program MPC decided to do and further asked the PSC for rate recovery.

*{Tape 1; Side B}*

**REP. MOOD** said the information passed out by energy share indicated various companies paying into the fund. He asked if it would be proper to characterize this as a mandatory program, which had increased rates of the customers. **Mr. Anderson** responded no, that was not the case within MPC territory.

**REP. MOOD** asked if a legislative mandate could be given to charity. **Rachel Haberman** responded in the majority of the cases the low income programs covered under USB were already being carried out.

**REP. MOOD** could not find any relation between energy conservation and HB 167. **Debbie Smith** stated HB 167 exempted certain entities from paying the USBC. She explained the payouts.

**REP. MOOD** asked if Northwest Energy Alliance was a success. **Debbie Smith** answered yes, it had been a tremendous success.

**REP. MOOD** asked why there was this problem with electricity. **Debbie Smith** gave a background of the past ten years and how utilities stopped investing in new generation, in transmission grade improvements, and upgrades, which uncertainty stopped conservation from being acquired.

**REP. MOOD** clarified the testimony dealing with the energy shortage as a result of the lack of foresight of the generation companies. **Debbie Smith** disagreed with what was said through the testimony. She added there was not a lack of foresight, but a tremendous uncertainty.

**REP. CAROL JUNEAU** referred to page two and asked what was the "local district" and if it included tribal governments. **REP. HEDGES** said including the local district, many small unincorporated areas had a lighting district that would run a dozen or two dozen street lamps in the community and yes, it would also include the nonprofit's in tribal governments.

**REP. JUNEAU** referred to the unit of the university system as identified and asked if it included tribal colleges. **REP. HEDGES** responded it would if they were a unit of the university system.

**REP. JUNEAU** asked for clarification of step 17 and 18. **REP. HEDGES** explained how the system worked and stated the utilities were charged to make these payments.

**REP. JUNEAU** stated the bill stated it would go to energy conservation, renewable resource projects and application, and low income energy assistance. She asked how much would go to each category. **Debbie Smith** agreed and added USBC funds all of those things.

**REP. JUNEAU** stated the largest percentage of the money spent was not for low income energy assistance. **Debbie Smith** answered yes, that was correct and added most of the money goes into saving energy.

**REP. BOB STORY** asked about applying sales tax to this issue. **Mr. Alke** said it was easy to determine by eliminating the first category.

**REP. STORY** asked if people would have to apply for the exemption. **Mr. Alke** answered yes, it would be the only way for this to work.

**REP. STORY** asked how to add \$138,000 to low income. **Mr. Alke** stated MDU did not have to do this in any other states where business was processed.

**REP. STORY** asked about the compatibility with another bill. **Debbie Smith** explained SB 57 and stated these two bills could pass together.

**REP. STORY** stated the programs originally ran by MPC were good business. **Debbie Smith** agreed.

**REP. STORY** asked why they had to mandate through legislation. **Debbie Smith** responded this was all part of the big deregulation puzzle. She added within the statute was a guarantee for cost recovery.

**REP. STORY** asked who was going to be the policeman on this program. **Commissioner Anderson** answered the utilities would collect the money.

**REP. STORY** stated MPC had their program with rates, previously they had to come to the PSC to get those costs included in their rates. He asked what the difference would be. **Commissioner Anderson** answered there was little or no difference for MPC, but for MDU there was a difference because they did not have those programs prior to 1997.

**REP. STORY** asked about the distributions. **Commissioner Anderson** said it was included within the proposal, which was approved by the commission. In terms of the money actually spent, it would have to be answered by the Department of Revenue.

**REP. STORY** asked if there was an increase. **Commissioner Anderson** explained how SB 390 specified the amount of money to be

collected and calculated, based upon 2.4% of the 1995 revenues of the companies. He added there had not been an increase.

**REP. DEE BROWN** asked if the USB fund was approximately \$8 million. **REP. HEDGES** said it was closer to \$13 million.

**REP. DEE BROWN** asked what percent of the \$13 million would be exempt under this bill. **REP. HEDGES** answered between \$5 and \$10 million.

**REP. MATTHEWS** asked how many large industrial customers were in eastern Montana. **Mr. Alke** answered four or five large industrial customers.

**REP. MATTHEWS** asked what the response was from hospitals when they received their \$5,000 to \$6,000 increase. **Mr. Alke** explained how the customers were angry including small health care facilities.

**REP. MATTHEWS** asked if all MDU customers were on the mid-western grid. **Mr. Alke** said the whole portion of MDU customers were in the mid-western grid.

**REP. MATTHEWS** asked if the mid-western grid would be in danger of rolling blackouts. **Mr. Alke** answered no.

**REP. STORY** asked if federal agencies had to pay the charge currently. **REP. HEDGES** answered no, they were already exempted.

**REP. STORY** asked if there would be a legal problem by exempting state and local governments and not federal. **Commissioner Anderson** did not know.

*{Tape 2; Side A}*

**Closing by Sponsor:**

**REP. HEDGES** stated they had levied a sales tax on the utility users of Montana and this bill would attempt to back away from these entities that can least afford to pay the tax, those being local governments, local health care institutions, and small nonprofit organizations. He encouraged the committee to pass the legislation.

HOUSE COMMITTEE ON FEDERAL RELATIONS, ENERGY, AND  
TELECOMMUNICATIONS

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**ADJOURNMENT**

Adjournment: 4:26 P.M.

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REP. AUBYN A. CURTISS, Chairman

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CECILE M. TROPILA, Transcriptionist

AC/RL

**EXHIBIT (feh14aad)**